

Message Text

LIMITED OFFICIAL USE

PAGE 01 PARIS 35195 01 OF 02 021847Z

ACTION EB-08

INFO OCT-01 AF-10 EUR-12 EA-10 ISO-00 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02

OPIC-03 SP-02 OMB-01 USIE-00 INRE-00 SSO-00 /064 W

-----035310 021900Z /50

O 021803Z DEC 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 2518

INFO AMEMBASSY KINSHASA IMMEDIATE

AMEMBASSY THE HAGUE

AMEMBASSY OTTAWA

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY BRUSSELS

AMEMBASSY TOKYO

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY OSLO

AMEMBASSY BERN

LIMITED OFFICIAL USE SECTION 01 OF 02 PARIS 35195

PASS EXIMBANK, TREASURY

E.O. 11652: N/A

TAGS: EFIN, FR, XA

SUBJECT: PARIS CLUB MEETING ON ZAIRE

1. SUMMARY. PARIS CLUB CREDITORS REACHED WITHOUT RESERVATIONS AGREEMENT DURING NOVEMBER 30-DECEMBER 1 MEETING TO RESCHEDULE INTEREST PAYMENTS FALLING DUE DURING THE SECOND SEMESTER OF 1977 ON THE SAME TERMS AND CONDITIONS AS PROVIDED IN THE JULY 1977 PARIS CLUB MINUTE, EXCEPT FOR TIGHTENING OF PAYMENT SCHEDULE FOR NONCONSOLIDATED PORTION OF PRINCIPAL

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 35195 01 OF 02 021847Z

AND INTEREST MATURITIES FALLING DUE DURING 1977. THEY ALSO AGREED TO MEET AGAIN IN APRIL 1978, TO STUDY RESCHEDULATION OF MATURITIES FALLING DUE IN 1978. A RESCHEDULING COULD ONLY TAKE PLACE IF THREE CONDITIONS ARE MET BY THE GOZ. THESE CONDITIONS ARE: ADOPTION BY GOZ OF AN IMF ENDORSED STABILIZATION PROGRAM, CONCLUSION BY GOZ OF

COMPARABLE SETTLEMENT WITH THE PRIVATE BANKS, AND
BEST EFFORTS TO MAKE PAYMENT ON OBLIGATIONS UNDER
EXISTING BILATERAL AGREEMENTS. END SUMMARY

2. MEETING OPENED WITH IMF REVIEW OF ZAIRE'S
PRESENT ECONOMIC SITUATION AND AN EXCHANGE OF
INFORMATION AMONG CREDITORS. IMF REPRESENTATIVE'S
REVIEW OF ZAIRE'S PERFORMANCE UNDER APRIL 1977
STANDBY WAS ESSENTIALLY AMONG LINES REPORTED
STATE 277917. IN REPLY TO QUESTION FROM US REP,
IMF STATED THAT ALTHOUGH ZAIRE WAS NOT ELIGIBLE TO
DRAW NEXT INSTALLMENT UNDER 1977 STANDBY,
STABILIZATION PROGRAM CONTINUED IN PLACE AND
IMF WAS IN TOUCH WITH GOZ. BORNEMAN ADDED THAT
THE IMF HAD SENT A CABLE TO ZAIRE SUGGESTING
RESUMPTION OF DISCUSSIONS CONCERNING TERMS OF
A NEW OR REVISED STABILIZATION PROGRAM EARLY IN
1978 (POSSIBLY FEBRUARY). NO RESPONSE HAD YET
BEEN RECEIVED FROM GOZ. US SHARED WITH CREDITORS
BEST GUESS ESTIMATES OF 1978 BOF ESTIMATE FOR
ZAIRE WHICH WAS CONSONANT WITH IMF'S VIEW THAT
1978 SITUATION WOULD BE MORE DIFFICULT THAN 1977.

3. SOME CREDITORS CITED NOVEMBER 25 SPEECH BY
GOZ PRESIDENT MOBUTU AS A WELCOME SIGN OF ZAIRE'S
COMMITMENT TO BRINGING GREATER DISCIPLINE AND
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 35195 01 OF 02 021847Z

EFFICIENCY TO MANAGEMENT OF ECONOMY. IN RESPONSE
TO QUESTIONS CONCERNING EXTENT AND NATURE OF
BELGIANS COMMITMENTS UNDER "MOBUTU PLAN," BELGIAN
REPRESENTATIVE NOTED THAT HIS GOVERNMENT WAS REVIEWING
REQUEST MADE BY GOZ. PARIS CLUB
CURRENT TECHNICAL ASSISTANCE UNDERTAKINGS. PARIS CLUB
CHAIRMAN PEBEREAU THEN MENTIONED FRENCH TECHNICAL
ASSISTANCE EXTENDED TO GOZ TO IMPROVE THEIR FINANCIAL
MANAGEMENT CAPABILITIES BUT DID NOT GIVE DETAILS.

4. AN EXCHANGE OF INFORMATION AMONG CREDITORS AS TO
STATUS OF PAYMENTS BY GOZ UNDER 1976 AND 1977 PARIS
CLUB AGREEMENTS, REVEALED THAT RECEIPT OF
PRINCIPAL AND INTEREST PAYMENTS WAS IRREGULAR AND THAT
ZAIRE WAS IN ARREARS WITH A NUMBER OF GOVERNMENTS;
HOWEVER, EXIMBANK APPEARS TO BE ONLY
LENDER THAT HAS RECEIVED JULY 1, 1977 INSTALLMENT
UNDER 1975-76 RESCHEDULING. MANY LENDERS NOT
YET BEEN PAID INTEREST DUE IN SECOND HALF OF 1976.
IN ADDITION, NO BILATERAL AGREEMENTS IMPLEMENTING
THE 1977 PARIS CLUB MINUTE HAD YET BEEN SIGNED.

5. IN SUMMARIZING SITUATION CONFRONTING PARIS CLUB, PEBEREAU NOTED THAT IN SPITE OF ZAIRE'S DISAPPOINTING PERFORMANCE UNDER IMB PROGRAM AND ABSENCE OF AGREEMENT WITH PRIVATE BANKS THERE WERE SOME POSITIVE SIGNS. DISCUSSIONS BETWEEN THE IMF AND GOZ WOULD BE RESUMED EARLY IN 1978 AND TERMS OF PRIVATE BANK LOAN (FIVE YEAR TERM CREDIT) WERE CLOSER TO MEETING COMPARABILITY CONCERNS OF PARIS CLUB THAN EARLIER PROPOSALS 180 DAY ROLLOVER).

PEBEREAU CONSIDERED THAT IT WAS IMPORTANT FOR PARIS CLUB TO RESPOND CONSTRUCTIVELY TO GOZ'S DIFFICULTIES, BUT STRESSED THAT PUBLIC CREDITORS SHOULD NOT PROCEED WITHOUT COMPARABLE EFFORTS BY THE PRIVATE CREDITORS. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 PARIS 35195 01 OF 02 021847Z

HE THEN PROPOSED THAT THE CREDITORS CONSIDER RESCHEDULING INTEREST FALLING DUE DURING THE SECOND HALF OF 1977. GERMANY AND CANADA RESPONDED NEGATIVELY AT FIRST AND THE US WAS THE FIRST DELEGATION TO SUPPORT THE PROPOSAL HELPING TO MOVE THE CREDITORS TOWARD ITS ACCEPTANCE. THE CREDITORS AGREED TO RESCHEDULE INTEREST FOR THE SECOND HALF OF 1977 ON THE SAME TERMS AND CONDITIONS AS THE JULY 1977 MINUTE. THE PAYMENT SCHEDULE PROVIDED IN THE JULY 1977 MINUTE FOR THE NONCONSOLIDATED PORTION OF THE MATURITIES OF PRINCIPAL AND INTEREST FOR THE YEAR

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 35195 02 OF 02 021854Z

ACTION EB-08

INFO OCT-01 AF-10 EUR-12 EA-10 ISO-00 AID-05 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02
OPIC-03 SP-02 OMB-01 USIE-00 INRE-00 SSO-00 /064 W
-----035417 021905Z /50

O 021803Z DEC 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 2519

INFO AMEMBASSY KINSHASA IMMEDIATE

AMEMBASSY THE HAGUE

AMEMBASSY OTTAWA
AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY BRUSSELS
AMEMBASSY TOKYO
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY OSLO
AMEMBASSY BERN

LIMITED OFFICIAL USE SECTION 02 OF 02 PARIS 35195

WAS AMENDED TO THREE EQUAL ANNUAL INSTALLMENTS BEGINNING AT THE END OF 1977. ZAIRE INDICATED THAT IT WOULD MAKE EVERY EFFORT TO MAKE THE FIRST PAYMENT BEFORE THE END OF 1977 AND IN ANY CASE NO LATER THAN THE END OF FEBRUARY 1978.

6. THE CREDITORS AGREED TO MEET IN APRIL 1978 TO STUDY A CONSOLIDATION OF THE MATURITIES, PAYABLE DURING 1978, ON CONTRACTS AND LOANS COVERED BY THE AGREED MINUTES OF 16 JULY 1976 AND 7 JULY 1977, TAKING INTO ACCOUNT THE BALANCE OF PAYMENTS OF ZAIRE AND ITS PROSPECTS. THE RESCHEDULING, IF SO DECIDED, WOULD BE INTENDED TO CARRY OUT THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 35195 02 OF 02 021854Z

PRINCIPLES OF THE AGREED MINUTES OF 1976 AND 1977. AT THE APRIL MEETING THE CREDITORS WOULD STUDY TERMS WHICH WOULD NOT BE LESS FAVORABLE THAN THOSE STIPULATED IN THE AGREED MINUTE OF 7 JULY 1977. THE RESCHEDULING WOULD ONLY TAKE PLACE IF ZAIRE FIRST FULFILLED THREE CONDITIONS. THESE PRIOR CONDITIONS ARE: A) ADOPTION BY THE GOZ OF AN EFFECTIVE, IMF-ENDORSED STABILIZATION PROGRAM; B) CONCLUSION BY THE GOZ OF AN AGREEMENT WITH THE PRIVATE BANKS OF EITHER A MEDIUM-TERM CREDIT (AT LEAST FIVE YEARS) OF THE ORDER OF MAGNITUDE OF THE NOVEMBER 1976 LONDON CLUB AGREEMENT OR A DIRECT RESCHEDULING OR REFINANCING OF THE BANK DEBTS; C) AND A BEST EFFORTS UNDERTAKING BY THE GOZ TO HONOR ITS OBLIGATIONS, UNDER THE BILATERAL AGREEMENTS AND IN ANY CASE TO MAKE THE 1977 5 PERCENT PAYMENT (SEE PARA 5) NO LATER THAN FEBRUARY 1978. FINALLY, IT WAS AGREED THAT IF A RESCHEDULING COULD NOT BE CONCLUDED, BECAUSE THE ABOVE CONDITIONS WERE NOT MET, A NEW MEETING WOULD BE HELD AT A LATER DATE.

8. THE ZAIRE DELEGATION, HEADED BY FINANCE MINISTER

KIAKWANA, REQUESTED, AND THE CREDITORS AGREED, THAT THE CONDITIONS RELATING TO REACHING AN AGREEMENT WITH THE PRIVATE BANKS BE COMMUNICATED TO THE BANKS AFTER A PRESS RELEASE CONCERNING THE MEETING WAS ISSUED BY THE FRENCH MINISTRY OF FINANCE.

9. COMMENT: THE OPERATIVE PART OF THE DECMEBER 1 MINUTE CONCERNING 1978 IS SECTION 5, SUMMARIZED ABOVE (PARA 6). THE FINAL LANGUAGE REPRESENTS A COMPROMISE BY THE OTHER CREDITORS IN THE FACE OF A USE RESERVATION ON THE ENTIRE PARAGRAPH AS IT WAS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 35195 02 OF 02 021854Z

ORIGINALLY DRAFTED. BY THE END OF THE FIRST DAY OTHER CREDITORS HAD AGREED TO A RESCHEDULING OF ZAIRE DEBT IN APRIL 1978 AT TERMS AND CONDITIONS NO LESS FAVORABLE THAN THOSE OF JULY 1977 PROVIDED THAT ZAIRE MET TWO CONDITIONS, A STABILIZATION PROGRAM AND A COMPARABLE AGREEMENT WITH THE PRIVATE BANKS. IN THE INTEREST OF REACHING A CONSENSUS ACCEPTABLE TO THE AMERICANS, HELPFUL DRAFTING SUGGESTIONS WERE PROVIDED BY THE CANADIANS, GERMANS, BRITISH AND THE CAIR. IN THIS PROCESS THE US DELEGATION WAS ABLE TO PULL THE CLUB BACK TO A MUCH MORE CONDITIONAL COMMITMENT OF STUDYING THE POSSIBILITIES OF A RESCHEDULING AND IF THIS IS DECIDED, STUDYING TERMS AND CONDITIONS NO LESS FAVORABLE THAN THOSE OF JULY 1977. FURTHERMORE A NEW CONDITION WAS IMPOSED THAT ZAIRE MAKE BEST EFFORTS TO PAY UNDER BILATERAL AGREEMENTS AND IN ANY CASE PAY THE 5 PERCENT UNCONSOLIDATED PAYMENTS OF 1977. THIS AMOUNTS TO ABOUT \$11 MILLION. THE US POSITION IS REFLECTED IN THE FACT THAT THE PARAGRAPH LAYS THE GROUNDWORK FOR 1978 WITHOUT COMMITTING THE US TO A RESCHEDULING OR TO THE TERMS AND CONDITIONS OF A RESCHEDULING. IF THE GOZ FULFILLS THE ABOVE THREE CONDITIONS, THE US IS ONLY COMMITTED TO ATTEND A MEETING IN APRIL AT WHICH THE CREDITORS WOULD STUDY A POSSIBLE RESCHEDULING OF 1978 MATURITIES.

HARTMAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 02-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PARIS35195
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770448-0005
Format: TEL
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197712100/aaaadgqf.tel
Line Count: 268
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 65ea20fb-c188-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 103730
Secure: OPEN
Status: NATIVE
Subject: PARIS CLUB MEETING ON ZAIRE
TAGS: EFIN, FR, XA
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/65ea20fb-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009